

A photograph of two women smiling and working together in a garden. They are wearing gloves and tending to plants in a large wooden planter box. The woman on the left has dark hair and is wearing a blue shirt over a teal top. The woman on the right is wearing a striped shirt, a blue bandana, and patterned gloves. The background shows a green fence and trees.

Pensions freedoms

Retirement and your options



WREN STERLING

If you're over 55 – happy birthday!

That means you have more choice about how you access your pensions (thanks to Pension Freedom legislation that began in April 2015.)

Decisions you make now have a long-lasting effect on your retirement, your quality of life and the legacy you leave behind. It's time to take stock of all your options and ask the questions about what's right for you.

The New State Pension

Whether or not you're entitled to the New State Pension depends on your National Insurance record. You could receive up to **£230.25 a week** or **£11,973.00 a year** (correct for 2025/26 tax year).

Check what you'll get

You're advised to check the government website at gov.uk/new-state-pension to see when you can start to receive the state pension. Your financial adviser can help you plan your pension income to ensure you don't pay more tax than you need to.



The Financial Conduct authority do not regulate tax planning.

Keep in mind

Be aware of your allowances while you save

The Lump Sum Allowance

The Lifetime Allowance has been abolished and replaced by the 'Lump Sum and Death Benefits Allowance' (LSDBA), which is the maximum amount of tax free cash you can take from a pension, either £268,275 (25% of the previous Lifetime Allowance) or 25% of crystallised benefits if less.

The Annual Allowance

The Annual Allowance is a limit to the total amount of contributions that can be paid to defined contribution pension schemes and the total amount of benefits that you can build up in defined benefit pension schemes each year, without suffering an additional tax charge. The Annual Allowance is currently capped at £60,000 although there are circumstances where this may not be the case.

A lower limit of £10,000 may apply (if subject to the Tapered AA) or a higher Annual Allowance may be available if Carry Forward rules are used. Remember, the Annual Allowance will apply across all of your schemes.

If you think you may be in breach of the Annual Allowance, please speak to your financial adviser immediately.

Things to be aware of when you prepare to access your pension

Tax on your pension

The most important thing to bear in mind when accessing your pensions is that 25% of your total fund can be withdrawn tax-free, although if benefits exceed the LSDBA it will be subject to income tax.

So if you're thinking of withdrawing more than 25%, then you are likely to face 20%, 40% or even 45% tax on those withdrawals, eroding years of pension savings in a moment, which can't be reversed.

Beware of scammers

Unfortunately we live in a world where people will try to capitalise on this legislation to induce people to make high risk investments or try to defraud them out of their savings. Working with an independent financial adviser means you are working with a regulated adviser with proper recourse for you if things go wrong.

Important

A pension is a long-term investment not normally accessible until age 55 (57 from April 2028 unless the plan has a protected pension age). The value of your investments (and any income from them) can go down as well as up which would have an impact on the level of pension benefits available. Your pension income could also be affected by the interest rates at the time you take your benefits. The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation which are subject to change. You should seek advice to understand your options at retirement.

Your pension options

You have the power to choose how you use your pension pot. It's up to you to manage your spending and ensure that you have enough income to last for the whole of your retirement. There are four main options for how you can use your pension pot, which we will outline here.

If you're not sure how much you've built up (and this isn't uncommon, as many of our clients build up a collection of workplace pensions over time) and you're not sure where to start, you can ask a Financial Adviser for help.

| Your options | Annuity | Take as one lump sum | Take smaller lump sums | Flexi-access drawdown |
|--|---|----------------------|----------------------------------|---|
| Tax-free cash? | Up to 25% of fund | Up to 25% of fund | Up to 25% | Up to 25% of fund, can be phased |
| Regular income? | Yes | No | Potentially, if product permits | Yes |
| Guaranteed income? | Yes | No | No | No |
| Can I run out of money? | No | Yes | Yes | Yes |
| Will my tax rate go up? | Unlikely, as income is planned in advance | Likely | Depends on the size of lump-sums | Unlikely, as income is planned in advance |
| Can unused funds be used as an inheritance when I die? | Depends on the plan | Likely | Yes | Yes |

From [which.co.uk](https://www.which.co.uk)





Annuity

Annuities provide guaranteed regular retirement income and allow you to budget effectively. There are lots of different types of annuities, but most 'traditional' annuities don't allow unused funds to be used as inheritance (but Capital Protection may be available along with other Death Benefits at a cost). Now annuities can be arranged with additional features.

Take one lump sum

You can choose to withdraw your pension and convert it to cash. Up to 25% of your total fund will be tax-free (within LSDBA limits), but the rest is taxable and could push you into a higher tax band.

Always consult an independent financial adviser before accessing your pension as you could face a tax bill and lose the tax-free advantage of pension savings. Remember: if you choose this option it will be up to you to manage your spending and ensure that you have enough income to last for the whole of your retirement.

Take smaller lump sums

Some pension providers allow you to keep your pension pot invested, but take out without moving your funds into flexi-access drawdown. You can access your pension all in one go taking up to 25% tax-free, or take multiple lump sums with up to 25% of each withdrawal tax-free.

Taking lump sums from your pension will reduce the size of your overall fund, and potentially lessen the amount you can take in the future.

Flexi-access drawdown

With a flexi-access drawdown scheme your pension fund can remain invested, allowing you to draw regular income from it by cashing in some of those investments. Each time you move money into drawdown, up to 25% can be taken as a tax-free lump-sum. The remainder stays invested and taxable income can be drawn directly from the pension as you wish.

You'll be able to choose when and how much to take out of your pension, but it will be up to you to manage your spending and ensure that you have enough income to last for the whole of your retirement. Unlike most annuities, the money that is left in drawdown when you die can be passed on.

Why Wren Sterling?

We work with thousands of clients around the UK including employees from some of the UK's best known FTSE 100 companies to plan their investments, protection and financial affairs.

We advise on around £3bn of investments and we're the financial planning partner to 9 UK building societies.

In short, we've got the track record, scale, expertise and client commitment to say with confidence that you're in safe hands with us.

Why financial advice

Independent financial advice means your unique situation (assets, liabilities, income, expenditure, life expectancy, lifestyle aspirations, family etc.) is analysed by an expert and an appropriate plan recommended. Our regular reviews mean plans are kept relevant so you can get on with living your life.

Fully qualified advisers

Experienced, knowledgeable, proactive and on your side. We're authorised and regulated by the Financial Conduct Authority, working to industry standards at all times.

Transparent fee structure

All our fees are disclosed and agreed with you before starting any work or incurring costs.

Independent

We can recommend products from providers across the market and the only person who pays us is you. Our only priority is your customer satisfaction.

Technical expertise

Our advisers are supported by a technical team of administrators and researchers, keeping your finances on track to meet your objectives.

Easy access to suit you

Whether you prefer to contact us by phone, email, online or post, you can get in touch with your adviser at any time.

Expand your financial knowledge

Our customers get access to our regular client communications, designed to help you learn more about your money.



To discuss your
pension options with a
local financial adviser,
please **arrange an
appointment.**

The first appointment is always at our expense and
can be conducted over the phone, at our office,
your office or another convenient location.

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